


AR08

CHROMASCO

30th
ANNUAL REPORT
For the Year Ended April 30
1967

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

CHROMASCO



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Chro0415_1967

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

THIRTIETH ANNUAL REPORT

For the Fiscal Year Ended April 30, 1967.



Casting silicon alloy.

Annual Meeting of Shareholders

The Thirtieth Annual Meeting of the Shareholders will be held in the Conference Room of the Bank of Montreal, Main Floor, Stock Exchange Tower, Place Victoria, Montreal 3, Quebec, Canada, at 12:00 o'clock noon on Wednesday, July 26, 1967.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
and Subsidiary Companies



Exothermic alloy warehouse.

OFFICERS

NOÉ A. TIMMINS, Jr.
Chairman of the Board

J. THOMAS TIMMINS
President and General Manager

JOHN E. L. DUQUET, Q.C.
Vice President

R. G. NESBITT, C.A.
Vice President - Finance and Secretary

DIRECTORS

ALAN M. BADIAN, C.A.

JOHN E. L. DUQUET, Q.C. *

HENRY M. MARX

J. G. NOTMAN *

R. S. POISTER

J. THOMAS TIMMINS *

JULES R. TIMMINS

NOÉ A. TIMMINS, Jr. *

** Member of the Executive Committee*

HEAD OFFICE Sault Ste. Marie, Ontario

EXECUTIVE OFFICES 3720 Place Victoria
Montreal 3, Quebec

GENERAL COUNSEL DUQUET, MACKAY, WELDON, BRONSTETTER,
WILLIS & JOHNSTON
Advocates, Barristers & Solicitors
Montreal, Quebec

AUDITORS RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants
Montreal, Quebec

BANKERS BANK OF MONTREAL
Montreal, Quebec

TRANSFER AGENTS CROWN TRUST COMPANY
302 Bay Street, Toronto 1, Ontario
393 St. James Street West,
Montreal 1, Quebec

FINANCIAL HIGHLIGHTS

	1967	1966
Net sales	\$19,221,794	\$20,125,372
Earnings before income taxes and special credit	\$ 1,638,616	\$ 1,585,166
Income taxes	\$ 815,460	\$ 876,893
Earnings before special credit	\$ 823,156	\$ 708,273
Net earnings and special credit	\$ 1,605,971	\$ 1,601,329
Dividends on preference shares	\$ 227,500	\$ 56,875
Current assets	\$ 7,444,864	\$ 7,059,301
Current liabilities	3,247,066	3,946,553
Working capital	<u>\$ 4,197,798</u>	<u>\$ 3,112,748</u>
Ratio of current assets to current liabilities	2.29	1.79
Expenditure for property, plant and equipment	\$ 695,088	\$ 275,500
Shares issued and fully paid at April 30 —		
Preference	32,500	32,500
Common	3,420,000	3,420,000

DIRECTORS' REPORT

To the Shareholders of
CHROMIUM MINING & SMELTING
CORPORATION, LIMITED:

The Board of Directors submits with this Thirtieth Annual Report of the Corporation and its subsidiary companies the consolidated balance sheet as at April 30, 1967, the consolidated statements of earnings, earned surplus and source and application of funds for the year ended April 30, 1967, and the report of your auditors.

EARNINGS

Consolidated net earnings, after all deductions and after giving effect to the special income tax credit resulting from the carry-forward of prior years' losses, amounted to \$1,605,971 compared with \$1,601,329 for the year ended April 30, 1966. Such special credit for the fiscal period under review was \$782,815 compared with \$893,056 for the previous fiscal period.

As at April 30, 1967, there remained available to the United States subsidiary company a substantial loss carry-forward which, subject to audit by the appropriate taxing authorities, may be used as a deduction in the calculation of the taxable income of that subsidiary for the purpose of determining its liability for income taxes in the United States for the fiscal periods up to April 30, 1970.

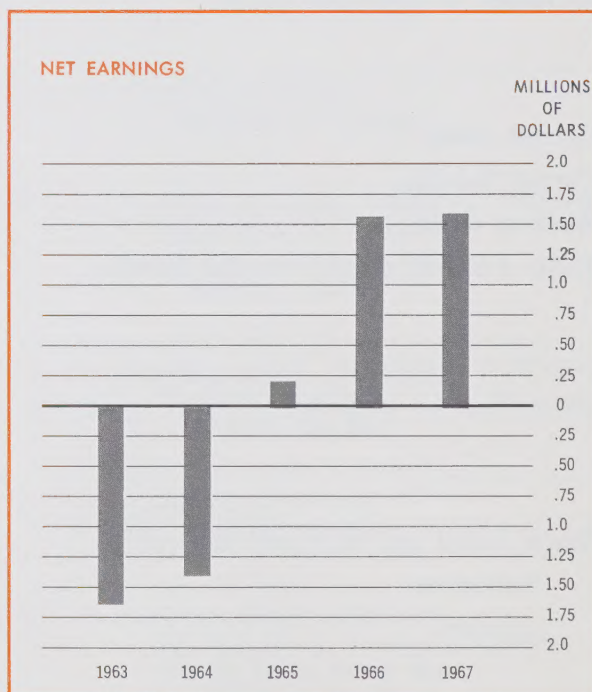
As a result of the refinancing of the Corporation in the previous fiscal year by the infusion of additional capital, interest on long and short term indebtedness was reduced to \$261,691 from \$605,749 in the previous fiscal year.

Consolidated net earnings per common share (after allowing for dividends on the Corporation's preference shares of \$227,500 for the year under review compared with \$56,875 for the previous fiscal year) were forty (40) cents per share

as compared with forty-five (45) cents per share for the year ended April 30, 1966.

Earnings were adversely affected, particularly during the last six months of the fiscal period, by strikes at the plants of major Canadian customers and an unauthorized strike at the Corporation's Canadian plant involving substantial shut-down expenses and loss of production.

The serious inflationary trend, particularly in Canada, of rising labour and material costs continued during the year. As a result of new labour agreements, higher wage rates came into effect for the hourly employees at the Memphis and Beauharnois facilities during December, 1966 and January, 1967 respectively. Salaries and fringe benefits also increased during the latter half of the fiscal year. Selling prices remained virtually unchanged throughout the year. Improvement was made in productivity but, unfortunately, it was not sufficient to wholly offset the impact of the inflationary trend.

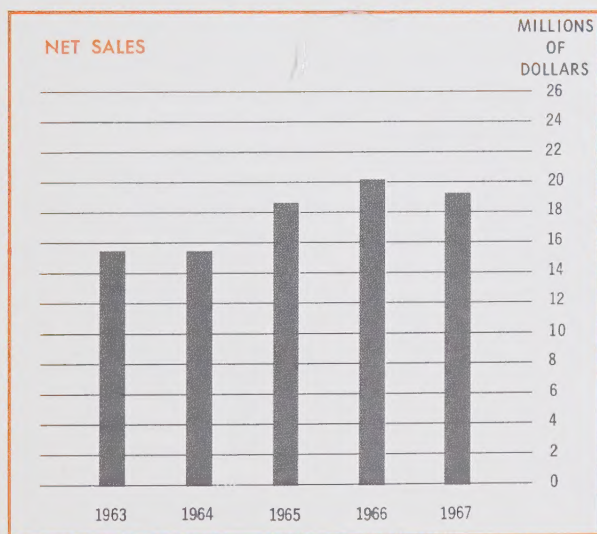


Another factor which continued to be a source of concern to your Corporation, as well as to others in the ferroalloy industry in the United States and Canada, was the increasingly severe competition from sources beyond the confines of the North American continent.

SALES

Consolidated net sales were \$19,221,794 compared with \$20,125,372 for the year ended April 30, 1966.

The volume of sales in the United States for the whole year showed an improvement over that of the previous fiscal period, despite a lowering trend during the last quarter. For reasons already mentioned, sales in Canada were off to some extent. This accounted for the overall decrease of \$903,578 in comparison with the relevant figure for the fiscal period ended April 30, 1966.

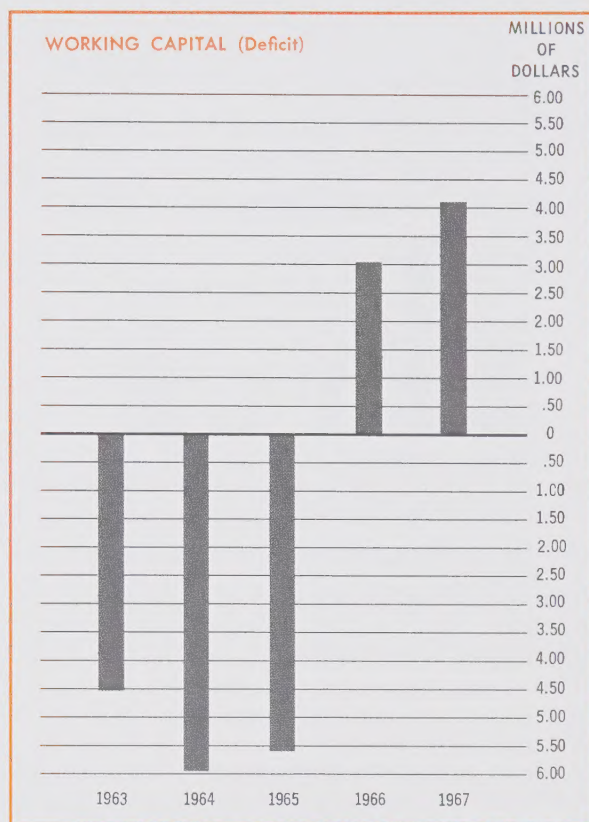


WORKING CAPITAL

Working capital totalled \$4,197,798 compared with \$3,112,748 at the end of the previous fiscal year. Current assets were 2.3 times cur-

rent liabilities as at April 30, 1967, and 1.8 times as at April 30, 1966.

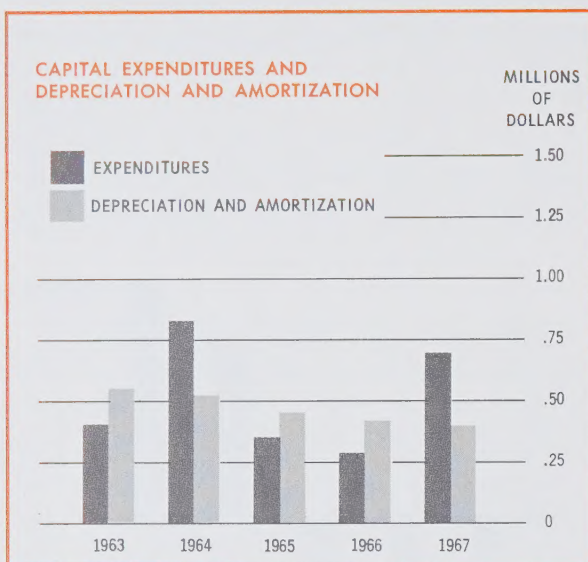
The statement of source and application of funds which accompanies this Report sets forth the details of the changes in working capital. You



will note from such statement that funds of \$2,079,379 were derived, to the extent of \$2,063,202, from net earnings including special credit and from charges against earnings which did not require the outlay of funds and, to the extent of \$16,177, from the sale of property, plant and equipment. The funds were used to invest in property, plant and equipment (\$695,088), to pay dividends on the Preference Shares (\$227,500) and to adjust income taxes applicable to prior years (\$71,741). The balance of \$1,085,050 was added to working capital.

PROPERTY, PLANT AND EQUIPMENT

The expenditures of \$695,088 for property, plant and equipment (compared with \$275,500



for the previous fiscal year) were devoted primarily to the purchase of machinery and equipment to improve plant efficiency and increase productivity.

OUTLOOK

Your Corporation faces the near-term uncertainties resulting from a continuing decline in steel production both in Canada and the United States, constantly increasing costs of labour and materials without compensating increases in productivity and selling prices, and competition from countries outside of the North American continent where costs of production have not risen to the same extent.

These are factors over which your Corporation has little control and which can undoubtedly affect earnings to a material degree.

However, many improvements have been made in operations as well as in the capital structure of your Corporation during the past few

years and others are possible. To this end increasing emphasis has and will continue to be placed on organizational planning, the training and development of personnel, cost improvement programmes and a rigid control of all expenses.

While the short-term prospects are uncertain, your Management remains confident that a reasonable rate of earnings can be achieved in the years ahead.

SHAREHOLDERS' ANNUAL MEETING

The Shareholders' Annual Meeting will be held in the Conference Room of the Bank of Montreal, Main Floor, Stock Exchange Tower, Place Victoria, Montreal 3, Quebec, Canada, at 12:00 o'clock noon on Wednesday, July 26, 1967. Formal Notice of this Meeting, together with an Instrument of Proxy and Information Circular, is enclosed with this Report.

* * *

The Board of Directors again takes pleasure in expressing its appreciation to employees at all levels and locations for the loyalty, devotion and diligence which they have shown during the past year under business conditions that were difficult and demanding.

On behalf of the Board,

Chairman of the Board

President and General Manager

June 16, 1967.

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED APRIL 30, 1967

	1967	1966
Net sales	\$19,221,794	\$20,125,372
Cost of goods sold and selling, administrative and general expenses (Note 7)	16,715,403	17,225,817
Earnings from operations before the undernoted	<u>2,506,391</u>	<u>2,899,555</u>
Other expenses		
Interest on long term indebtedness	110,000	165,210
Other interest	151,691	440,539
Employees' pension funds (Note 8)	156,120	139,819
Depreciation and amortization	449,964	455,726
Amount written off patent rights and development expenses	—	59,598
Amount written off mine claims	—	53,497
	<u>867,775</u>	<u>1,314,389</u>
Earnings before income taxes and special credit	1,638,616	1,585,166
Income taxes	815,460	876,893
Earnings before special credit	<u>823,156</u>	<u>708,273</u>
Special credit		
Income tax reduction resulting from carry-forward of prior years' losses (Note 9)	782,815	893,056
Net earnings and special credit	<u>\$ 1,605,971</u>	<u>\$ 1,601,329</u>

The accompanying notes are an integral part of these financial statements.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED*and Subsidiary Companies***CONSOLIDATED BALANCE****ASSETS****CURRENT ASSETS**

	1967	1966
Cash	\$ 28,197	\$ 70,532
Accounts receivable	1,876,425	2,581,740
Inventories		
Raw materials and supplies at average cost which approximates replacement cost	1,181,260	1,337,573
Work in process and finished products at lower of average cost or net realizable value	4,063,013	2,863,116
Prepaid expenses	295,969	206,340
Total current assets	<u>7,444,864</u>	<u>7,059,301</u>

PROPERTY, PLANT AND EQUIPMENT (Note 3)

Land, buildings, leasehold improvements and equipment at cost ..	10,588,059	10,190,145
Less: Accumulated depreciation and amortization	4,836,819	4,678,630
	<u>5,751,240</u>	<u>5,511,515</u>

Approved on behalf of the Board:

JOHN E. L. DUQUET, Q.C., Director.

J. THOMAS TIMMINS, Director.

\$13,196,104\$12,570,816

The accompanying notes are an integral part of these financial statements.



HEET — APRIL 30, 1967

LIABILITIES

CURRENT LIABILITIES

	1967	1966
Bank indebtedness (Note 4)	\$ 1,348,756	\$ 1,187,878
Accounts payable and accrued liabilities	1,687,352	2,480,125
Accounts payable to affiliated companies	39,204	52,592
Dividend payable on preference shares	56,875	56,875
Income taxes	42,542	85,562
Taxes other than income taxes	72,337	83,521
Total current liabilities	<u>3,247,066</u>	<u>3,946,553</u>

NOTE PAYABLE TO AFFILIATED COMPANY

Five and one-half per cent note due May 31, 1968	<u>2,000,000</u>	<u>2,000,000</u>
--	------------------	------------------

SHAREHOLDERS' EQUITY

Capital stock		
Preference shares		
Authorized		
32,500 7% cumulative redeemable preference shares		
of \$100 par value (redeemable at \$103.50)		
Issued and fully paid		
32,500 shares	3,250,000	3,250,000
Common shares		
Authorized		
6,000,000 common shares of no par value		
Issued and fully paid		
3,420,000 shares (Note 5)	2,956,252	2,956,252
Earned surplus (Note 6)	1,742,786	418,011
	<u>7,949,038</u>	<u>6,624,263</u>
	<u>\$13,196,104</u>	<u>\$12,570,816</u>

CONSOLIDATED STATEMENT OF EARNED SURPLUS (DEFICIT)
FOR THE YEAR ENDED APRIL 30, 1967

	1967	1966
Balance at beginning of year	\$ 418,011	(\$6,586,748)
Add:		
Net earnings and special credit	1,605,971	1,601,329
Reduction of issued capital	—	4,836,748
Transfer from contributed surplus	—	1,750,000
	<u>2,023,982</u>	<u>1,601,329</u>
Deduct:		
Exchange adjustments applicable to prior years (Note 2)	(18,045)	310,197
Income tax adjustments applicable to prior years	71,741	—
Write-down of mine claims, development and buildings	—	816,246
Dividends on preference shares	227,500	56,875
Balance at end of year	<u>\$1,742,786</u>	<u>\$ 418,011</u>

The accompanying notes are an integral part of these financial statements.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED APRIL 30, 1967

SOURCE OF FUNDS	1967	1966
Net earnings and special credit	\$1,605,971	\$1,601,329
Depreciation, amortization, and other charges against earnings which did not require the outlay of funds	457,231	615,993
Total from current operations	2,063,202	2,217,322
Sale of property, plant and equipment	16,177	205,126
Loan from affiliated company	—	2,000,000
Voluntary contribution	—	1,750,000
Issue of preference shares	—	3,250,000
	<u>2,079,379</u>	<u>9,422,448</u>
APPLICATION OF FUNDS		
Investment in property, plant and equipment	695,088	275,500
Dividends on preference shares	227,500	56,875
Exchange adjustments applicable to prior years	—	310,197
Income tax adjustments applicable to prior years	71,741	—
Miscellaneous	—	10,956
	<u>994,329</u>	<u>653,528</u>
Increase in working capital	\$1,085,050	\$8,768,920
Working capital (deficit) at beginning of year	\$3,112,748	(\$5,656,172)
Increase in working capital for the year	1,085,050	8,768,920
Working capital at end of year	<u>\$4,197,798</u>	<u>\$3,112,748</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — APRIL 30, 1967

1. All of the subsidiary companies are wholly owned and their accounts are reflected in the consolidated financial statements of the Corporation.
2. The consolidated financial statements are expressed entirely in Canadian currency. Foreign currencies have been translated into Canadian currency on the following basis:

Current assets and current liabilities at the rates of exchange prevailing at April 30, 1967;

Property, plant, equipment, accumulated depreciation and related depreciation provisions charged against earnings, at the rates of exchange prevailing at the dates of acquisition of the assets;

Items entering into net earnings (other than depreciation provisions) at the average rates of exchange prevailing during the year.

At April 30, 1966, property, plant, equipment and accumulated depreciation of the United States subsidiary company were reflected in the consolidated financial statements on the basis of \$1 United States currency equivalent to \$1 Canadian currency. During the year under review, such accounts were translated into Canadian currency at the rates of exchange prevailing at the dates of acquisition of the assets. The exchange premium of \$18,045 resulting therefrom and applicable to prior years was credited to the earned surplus account.

3. A summary of the cost of property, plant and equipment and accumulated depreciation and amortization is as follows:

	April 30, 1967		April 30, 1966	
	Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Land	\$ 52,381	\$ —	\$ 50,809	\$ —
Buildings and property improvements	2,620,311	797,988	2,729,959	800,157
Machinery and equipment	7,456,319	3,942,666	7,094,964	3,792,987
Leasehold improvements	256,685	96,165	234,982	85,486
Construction in progress	202,363	—	79,431	—
	<u>\$10,588,059</u>	<u>\$4,836,819</u>	<u>\$10,190,145</u>	<u>\$4,678,630</u>

4. Bank indebtedness is secured by pledge of accounts receivable and inventories.
5. Pursuant to the Corporation's Stock Option Plan established in 1962, the Corporation has granted options to certain officers and employees to purchase common shares of the capital stock of the Corporation. As at April 30, 1967, options in respect of 43,925 shares were outstanding at prices ranging from \$1.50 to \$1.95 per share with expiry dates ranging from October 1967 through April 1972.
6. A plan for the refinancing of the Corporation was implemented during the year ended April 30, 1966 providing, inter alia, for the elimination of the then existing deficit.
7. The aggregate direct remuneration paid to the Directors and Senior Officers of the Corporation, by the Corporation and its subsidiary companies whose financial statements are consolidated with those of the Corporation, amounted to \$155,768 for the year ended April 30, 1967 and \$121,059 for the year ended April 30, 1966.
8. Pension costs charged against earnings during the year under review include amounts paid or payable to trust funds in respect of current and past services. Past service costs are being funded over periods of twenty-five (25) years for the Parent Corporation's pension plan and forty (40) years for the United States subsidiary company's pension plans. The total unfunded past service liability at April 30, 1967, as determined by independent actuaries, was estimated at approximately \$837,000. The unfunded past service liability is subject to continuance of the pension plans and the terms and conditions of the pension plan agreements.
9. The United States subsidiary company has a substantial unused loss carry-forward from 1965 and prior years' operations which may be used for United States income tax purposes to offset taxable earnings of that subsidiary in the period 1968-1970. Such loss carry-forward is subject to audit by the taxation authority concerned.
10. The Corporation has long-term lease agreements for office and production facilities terminating in 1976 and 1983 respectively. Annual rental charges aggregate approximately \$275,000.

RIDDELL, STEAD, GRAHAM & HUTCHISON
CHARTERED ACCOUNTANTS

630 DORCHESTER BLVD. W.
MONTREAL 2

AUDITORS' REPORT

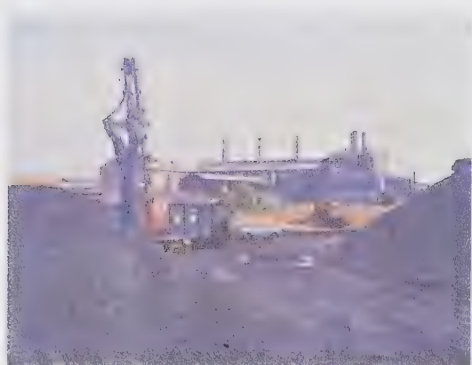
To The Shareholders
Chromium Mining & Smelting Corporation, Limited

We have examined the accompanying consolidated financial statements of Chromium Mining & Smelting Corporation, Limited and subsidiaries for the year ended April 30, 1967 comprising the consolidated balance sheet as at that date and the consolidated statements of earnings, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned statements present fairly the financial position of the companies as at April 30, 1967 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead, Graham & Hutchison

June 2, 1967



Unloading raw materials.



*Loading chromium alloy shipment
into one of the Corporation's special
container cars.*

PRODUCTION, RESEARCH AND SERVICE

PLANTS

BEAUHARNOIS, QUEBEC — Smelter plant

MEMPHIS, TENNESSEE — Smelter, refining and
finishing plant and research

SALES OFFICES

MONTREAL, QUEBEC

3720 Place Victoria,
Montreal 3, Quebec
Telephone 866-5344

CHICAGO, ILLINOIS

11431 South Halstead Street,
Chicago, Illinois 60628
Telephone 928-9800

PITTSBURGH, PENNSYLVANIA

Three Parkway Center, 875 Greentree Road,
Pittsburgh, Pennsylvania 15220
Telephone 921-2703

WAREHOUSES

Sault Ste. Marie, Ontario
Hamilton, Ontario
Beauharnois, Quebec
Buffalo, New York

Pittsburgh, Pennsylvania
Chicago, Illinois
Memphis, Tennessee
Detroit, Michigan



Handling of in process manganese alloy with part of the Memphis production facilities in the background.



Loading bulk manganese alloy and packaged chromium alloy into barge for shipment via the Mississippi inland waterways.

PRINCIPAL PRODUCTS

SILICON ALLOYS

50% Ferrosilicon
65% Ferrosilicon
75% Ferrosilicon
75% Ferrosilicon High Purity
85% Ferrosilicon
Magnesium Ferrosilicon
Sil-X

MANGANESE ALLOYS

Medium Carbon Ferromanganese
Nitrided Ferromanganese
Standard Ferromanganese
Silicomanganese
Man-X-1
Man-X-6

CHROMIUM ALLOYS

Charge Grade Ferrochrome (70)
Blocking Grade Ferrochrome
Low Carbon Ferrochrome
Ferrochrome Silicon
Chrom-X-4
Chrom-X-25-6.25
Chrom-Sil-X
Chrom-X-05

CHROMIUM MINING & SMELTING CORPORATION, LIMITED
and Subsidiary Companies



QUALITY FERROALLOYS

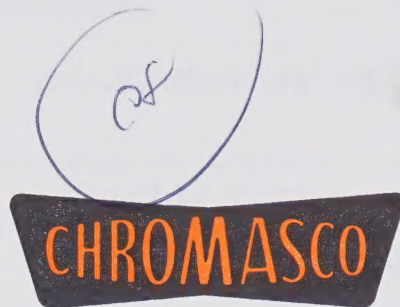
**DESIGNED FOR USE IN
STEEL PLANTS AND FOUNDRIES**



*View of the Corporation's submerged
arc furnaces from charging deck.*



AR08



INTERIM REPORT

TO SHAREHOLDERS

*For the Six Months Ended
October 31, 1967*

**CHROMIUM MINING & SMELTING
CORPORATION, LIMITED**

And Subsidiary Companies

TO THE SHAREHOLDERS:

Adverse trends that were apparent during the latter part of the fiscal year ended April 30, 1967 continued during the period under review.

Consolidated net sales for the six months ended October 31, 1967 amounted to \$8,928,000 compared with \$9,885,000 for the corresponding period of the previous year, reflecting the effects of a decline in steel production both in Canada and the United States and of an increase in the tonnage of ferroalloys imported from sources outside the North American continent.

Consolidated net earnings were \$31,000 for the period under review compared with \$1,108,000 for the six months ended October 31, 1966. Such decrease in earnings resulted from both the reduction in sales and rising labour and material costs without compensating increases in productivity and selling prices.

The trend of the demand for steel in Canada is still uncertain, but the near-term outlook in the United States is more encouraging. It is anticipated that consolidated net sales and net earnings will improve during the balance of the Corporation's fiscal year, but that for the whole year they will be lower than those for the year ended April 30, 1967.

J. THOMAS TIMMINS
President and General Manager

Montreal, December 15, 1967

CONSOLIDATED STATEMENT OF EARNINGS

NET SALES.....

Cost of goods sold and selling, administrative and general expenses.....

EARNINGS FROM OPERATIONS
BEFORE THE UNDERNOTED.....

OTHER EXPENSES

Interest on long term indebtedness...
Other interest.....
Employees' pension funds.....
Depreciation and amortization.....

EARNINGS BEFORE INCOME
TAXES AND SPECIAL CREDIT.....

INCOME TAXES, after special credit
resulting from carry-forward of prior
years' losses.....

NET EARNINGS.....

MINING & SMELTING CORPORATION, LIMITED

And Subsidiary Companies

INTERIM REPORT

(Subject to year-end adjustments and audit)

GS

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended
October 31

Six months ended
October 31

1967 1966

1967 1966

28,000 \$9,885,000

SOURCE OF FUNDS

Net earnings..... \$ 31,000 \$1,108,000

06,000 8,269,000

Depreciation, amortization, and other
charges against earnings which
did not require the outlay of
funds..... 242,000 228,000

22,000 1,616,000

Total from current operations... 273,000 1,336,000

Sale of property, plant and equipment 2,000 4,000

55,000 55,000

00,000 81,000

90,000 71,000

40,000 228,000

275,000 1,340,000

85,000 435,000

APPLICATION OF FUNDS

Investment in property, plant and
equipment..... 354,000 246,000

37,000 1,181,000

Dividends on preference shares..... 114,000 114,000

Income tax adjustments applicable to
prior years..... 8,000 —

6,000 73,000

476,000 360,000

31,000 \$1,108,000

Increase (decrease) in working capital. \$ (201,000) \$ 980,000

